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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84612; File No. SR-BOX-2018-35]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Permit Up To Ten Expiration Months for Long-Term Options on the SPDR® S&P® 500 Exchange-Traded Fund Shares (“SPY”)

November 16, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 16, 2018, BOX Exchange LLC (“Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend BOX Rule 5070 (Long-term Options Contracts) to permit up to ten (10) expiration months for long-term options on SPY. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxoptions.com>.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend BOX Rule 5070 (Long-term Options Contracts) to permit up to ten (10) long-term options (“LEAPS”) expiration months for options on SPY.³ BOX Rule 5070 currently provides that the Exchange may list LEAPS that expire from twelve (12) to one hundred eighty (180) months from the time they are listed; and there may be up to six (6) expiration months.⁴ The Exchange believes the proposal will add liquidity to the SPY options market by allowing market participants to hedge risks relating to SPY positions over a longer time period with a known and limited cost. This is a filing that is based on a proposal recently submitted by Nasdaq PHLX LLC (“Phlx”).⁵

The SPY options market today is characterized by its tremendous daily and annual liquidity. As a consequence, the Exchange believes that the listing of additional SPY LEAPS expiration months would be well received by investors. This proposal to expand the number of

³ In contrast to Rule 5070, Exchange Rule 6090(b)(1)(i), which applies to index options, permits the Exchange to list LEAPS on any class of index options, adding up to ten expiration months. The Exchange seeks to list ten expiration months of LEAPS on SPY, just as it now may list ten LEAPS expiration months on index options, in order to provide investors with a wider choice of investments.

⁴ Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months. See BOX Rule 5070(a).

⁵ See Securities Exchange Act Release No. 34-84449 (October 18, 2018), 83 FR 53699 (SR-Phlx-2018-64).

permitted SPY long-term expiration months would not apply to LEAPS on any other class of stock or Exchange-Traded Fund Shares.⁶

Finally, BOX Rule 5070(a) currently states that there may be “up to six (6) additional expiration months.” Because the rule does not specify which expiration months the six months are in addition to, and thus is ambiguous, the Exchange proposes to delete the word “additional.” As amended, the rule would clearly and simply provide that the Exchange may list six expiration months having from twelve (12) to one hundred eighty (180) months from the time they are listed until expiration.⁷

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),⁸ in general, and Section 6(b)(5) of the Act,⁹ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest by offering market participants additional LEAPS on SPY options for their investment and risk management purposes. The proposal is intended simply to provide additional trading opportunities, thereby facilitating transactions in options and contributing to the protection of investors and the maintenance of fair and orderly markets.¹⁰ The proposed rule change seeks to fulfill the needs

⁶ Historically, SPY is the largest and most actively traded ETF in the United States as measured by its assets under management and the value of shares traded.

⁷ The Exchange notes other exchanges have amended their rulebook to also clarify this language. See Securities Exchange Act Release No. 34-80769 (May 25, 2017), 82 FR 25472 (SR-Phlx-2017-41).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ As previously mentioned, the Exchange notes that this filing is based on a proposal

of market participants, particularly portfolio managers and other institutional customers, by providing protection from long-term market moves and by offering an alternative to hedging portfolios with futures positions or off-exchange customized derivatives instruments.

The Exchange believes that additional expiration months for SPY LEAPS does not represent a proliferation of expiration months, but is instead a very modest expansion of LEAPS options. Significantly, the proposal would feature new LEAPS expiration months in only a single class of options that are very liquid and heavily traded, as discussed above. Additionally, the Exchange notes by way of precedent that ten expiration months are already permitted for index LEAPS options. Further, the Exchange has the necessary systems capacity to support the new SPY expiration months.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposal merely provides investors additional investment and risk management opportunities by providing flexibility to the Exchange to list additional long term options expiration series, expanding the number of SPY LEAPS offered on the Exchange from six expiration months to ten expiration months. As indicated above, the Exchange notes that this filing is based on a proposal recently submitted by Phlx.¹¹

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

recently submitted by Phlx, in which Phlx states the reason for filing is, in part, customer demand.

¹¹ See supra, note 5.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6) thereunder.¹³

A proposed rule change filed under Rule 19b-4(f)(6)¹⁴ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁵ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative upon filing, to coincide with the effective date of Phlx's proposed rule change on which the proposal is partially based.¹⁶ The Exchange's proposal would clarify ambiguous rule text and would conform the Exchange's rules relating to the permitted number of SPY LEAPS expiration months to those of Phlx. Accordingly, the Commission believes that the proposal raises no new or novel regulatory issues, and waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission therefore waives the 30-day operative delay and designates

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁴ Id.

¹⁵ 17 CFR 240.19b-4(f)(6)(iii).

¹⁶ See supra, note 5.

the proposal operative upon filing.¹⁷

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2018-35 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2018-35. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2018-35 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Eduardo A. Aleman,
Assistant Secretary.

¹⁸ 17 CFR 200.30-3(a)(12).

